

Digital Trade in the EU-UK Free Trade Agreement

BSA | The Software Alliance supports a strong European Union-United Kingdom Free Trade Agreement (EU-UK FTA) that will enable innovation, emerging technologies, and jobs of the future. As the EU and the UK define their future relationship, the EU-UK FTA provides an important opportunity to embrace modern digital trade rules that support both partners' competitiveness and strengthen their existing economic ties while ensuring trust in digital-enabled trade.

Digital Trade Is Critical to the Economic Future of the EU and the UK



Integrated economies: The UK and the EU are each other's most integrated trading partners. In 2018, the UK exported £291 billion of goods and services to EU member states (equivalent to 45.3 percent of total UK exports).¹ The EU accounted for 52.6 percent of UK imports (worth £357 billion of goods and services).²



Shared values: The EU and the UK share a strong regulatory and legislative acquis based on the UK's decades-long membership of the EU. This convergence should underpin the future trading relationship—one based on rules pivotal to sustaining digital growth, ensuring predictable market access, supporting innovation, and attracting investments.



Software as a vector for growth: Software is at the forefront of data-driven innovations in service to all sectors and all levels of the economy, including farming, manufacturing, services, education, healthcare, banking, and finance.

- » In farming, 90 percent of crop losses are caused by weather. Analytics-based predictive weather modeling helps reduce crop damage and protect food production.
- » In advanced manufacturing, companies are combining IoT sensors with predictive analytics software to improve workplace safety and increase productivity, while reducing unplanned maintenance and factory downtime.
- » In the financial sector, services providers analyze data generated in various parts of the world to detect patterns, identify and stop fraudulent transactions, and help combat other criminal behavior.

¹ Matthew Ward, "Statistics on UK-EU Trade," *House of Commons Library*, Briefing Paper Number 7851, December 16, 2019, <https://researchbriefings.files.parliament.uk/documents/CBP-7851/CBP-7851.pdf>.

² Ibid.

- » In the health sector, universities and other institutions deploy research and laboratory data in AI-powered systems that cross-reference clinical queries with insights gleaned from thousands or millions of potentially relevant medical studies from around the world—leading to the delivery of better diagnoses, more cost-effective biopharmaceutical research, and the development of new life-saving cures.

In both economies, the software industry sustains economic growth rates, supports job creation, pays higher wages, and invests billions of dollars in research and development (R&D).

- » Software delivers a total value-added GDP of more than €750 billion³ in Europe. The UK's software industry accounts for £145 billion of total UK value-added growth and supports approximately 700 thousand UK jobs directly.⁴



The UK and EU stand to gain from their shared commitment to free trade: Both EU and UK businesses and consumers benefit from dynamic and competitive markets that value innovation and openness. For example, enterprises of all sizes and across sectors depend upon the movement of information around the world to design, create, and export new products and services; to enhance business processes and increase productivity; to reach new customers globally; and to engage in research, development, and innovation. A trade agreement with robust digital trade disciplines can help support the growth of businesses that rely on the movement of data, software, and artificial intelligence (AI) to maintain their competitive edge.

A forward-looking bilateral trade agreement is a critical opportunity for both software-powered economies.

Strong Digital Trade Provisions Are the Natural Next Step for Like-Minded Partners

As two of the world's most open, innovative, and forward-thinking economies, the EU and the UK stand to benefit from an ambitious digital trade agenda that preserves the ability of companies to transfer data across borders, strictly limits data localization requirements, and precludes the forced transfer of, or access to, software source code or algorithms.

BSA encourages both partners to negotiate provisions to:

- » Permit the cross-border transfer of data while protecting personal information;
- » Prohibit data localization requirements;
- » Prohibit customs duties on electronic transmissions;
- » Protect source codes and algorithms;
- » Recognize electronic signatures in commercial transactions;
- » Protect intellectual property while including appropriate exceptions and safeguards, including to permit data analytics for AI, machine learning, and other purposes;
- » Promote the use of innovative technology in the public sector;
- » Support encryption in commercial products;
- » Promote interoperability in privacy, cybersecurity, AI, and other areas through adherence to internationally recognized standards and adoption of other best practices; and
- » Prohibit preferential treatment for state-owned enterprises.

BSA encourages the EU and the UK to adopt strong digital trade rules that reflect the transformative role of software in advancing innovation, supporting job creation, and raising competitiveness across all sectors of the economy.

³ Software.org, *The Growing €1 Trillion Economic Impact of Software*, October 2018, <https://software.org/reports/2018-eu-software-impact/>.

⁴ Software.org, *The Economic Impact of Software—UK*, October 2018, https://software.org/wp-content/uploads/EU_2018_Economic_Impact_factsheet_UK.pdf.